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Zoning out

Abe's plans for a global business hub earns low marks

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A QUICK STUDY

Fulvio Guarneri
Unilever Japan

12 2014



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Contributors



David McNeill
reports on the
Abe government's
special economic
zones, page 8.

David's work has graced the pages of *The Economist*, *The Irish Times* and other international publications. His acclaimed co-authored book, *Strong in the Rain*, was

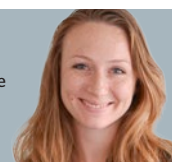
released in 2012. He has been in Tokyo since 2000.

"When Japan announced it was setting up deregulated business 'zones' last year to lure more foreign capital and people, many experts were unimpressed. It has been tried before, they say, with limited impact. It's early yet, but expectations for the zones are still low, which is surprising, because there is consensus on how to make Japan more attractive for foreign companies."

Allison recently relocated to Tokyo from Hong Kong, where she received her degree in journalism and geography. She now writes for various publications.

"Coming from Hong Kong with a background in wine education, I was keen to peek into another Asian wine market. Japan's wine culture is changing rapidly. But a lot of it, somewhat surprisingly, is political."

Allison Bettin
examines the
competitive nature
of wine imports to
Japan, page 18.



Tim Maughan
visits a baker
who makes
British treats in
Osaka, page 38.



Tim is a Nara-based freelance journalist. He moved to Japan in 2008, after nine years with a London magazine publisher.

"Peter Broadhurst's patisserie creations, his chocolate-making wares, and his deft use of striking British designs attracted me like an iron filing to a magnet. This is not the thing you expect to see in the teeming metropolis of Osaka — and the city is all the better for it. His products are made in exactly the same way as they are back home in Leicestershire."

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**PREMIUM
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Year's end, Dutch royalty and Welsh greetings

We've reached the year-end edition

of *EURObiZ Japan*, and what a year it's been. After starting out with such promise, Abenomics sputtered and the economy stalled following the April consumption tax rise. As of this writing, Japanese voters are again in the midst of an election campaign, barely two years after Prime Minister Shinzo Abe was returned to office. What will the election bring and will the coming year see an economic recovery or a continued slow-down? We will find out in due course.

Abe's so-called Special Economic Zones were one plan designed to boost the economy by attracting more foreign investment. These special zones were supposed to give foreign firms certain tax and investment incentives. But did they work? David McNeill investigates (page 8).




Speaking of foreign direct investment, regulatory hurdles and high corporate taxes remain barriers in this area according to Christopher S Thomas (page 12), who examines the latest efforts by Japan to boost FDI.

Members of the Netherlands Chamber of Commerce in Japan (NCCJ) got a royal boost last month with the visit to Japan of King Willem-Alexander and his wife, Queen Máxima (page 28). The royal

couple's first trip abroad coincided with a state visit by a Dutch trade delegation, and came just in time for the NCCJ's annual Deshima Awards (page 29).

Also last month, *EURObiZ Japan* had the honour of meeting Welsh Minister of Economy, Science and Transport Edwina Hart on her visit to Tokyo (page 10). Wales might be a small country, but it looms large in terms of business ties with Japan. No fewer than 45 Japanese firms have operations there. *Iechyd da!*

Thanks for reading and happy holidays! 

Mike de Jong
Editor-in-chief

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TOKYO

Japan's dismal ranking in the World Bank's latest (2015) "Doing Business" report can surely not have escaped the government of Prime Minister Shinzo Abe.

Released in October, the annual report – which surveys how easy it is to open and run a business in host countries – ranked Singapore first, Hong Kong third and Japan at lowly 29th, down two places from 2014. South Korea, which once shared Japan's reputation for being a tough business nut to crack for foreign companies, is ranked fifth.

After he took office in December 2012, Abe famously told international businesses he would drill through the "bedrock" of regulations that have kept his country out of such global league tables. One of the centrepieces of that strategy was dubbed "national special economic zones", created last year. According to Abe, the six zones would be under his direct responsibility and would foster a business environment that "stands shoulder to shoulder" with London, New York and other world cities. "The battle to create such a Japan is a battle in which I myself will be fully engaged," he said.

The Big Idea, as *The Economist* notes, is that these zones will allow companies to take daring steps "considered still too controversial for the country as a whole". They would allow true competition into some of Japan's most protected industries, particularly farming and pharmaceuticals. Tax breaks, simplified residence and business permits, and incentive-based pay were all on the agenda. Later on, these deregulations would be wheeled out across the rest of the country.

It goes without saying that not only have such zones been attempted around the world (with some success in China, South Korea and Malaysia), they've been tried out extensively in Japan. Since the idea of introducing them began at least a decade ago during the era of then Prime Minister Junichiro Koizumi (2001-2006), Japan has approved more than 1,000 special zone proposals, according to Takuji Okubo, managing director and chief economist at Japan Macro Advisors, and previously a senior economist

Zoning out

Abe's plans for a global business hub earns low marks

Text **DAVID MCNEILL**

with Société Générale, Merrill Lynch and Goldman Sachs. These allowed corporations to run farms and medical clinics, and partially deregulated customs clearing, among other reforms. The impact? Limited, concludes Okubo. "Many zones failed to produce almost any results at all."

What makes this time different?

One difference supporters point to is the prime minister's personal backing. Another is his ambitiousness – the zones cover an area responsible for nearly two-fifths of Japan's GDP, according to Robert Feldman, managing director at Morgan Stanley Japan Securities. The current scheme is also unique because it is led by the state, not municipalities, says Hideyuki Dempo, a senior policy planner with the Tokyo Metropolitan Government. But Dempo is reluctant to predict success. "We are waiting to see how fast the effect will show in our economy."

Adding to the lack of clarity about the new scheme is that it seems to partially overlap with one already running in Tokyo (the other five zones are Kansai, Niigata and Yabu, Fukuoka, and Okinawa). The Special Zone for Asian Headquarters, based in Tokyo and set up in 2011 by the municipal government before Abe became prime minister, is supposed to make the capital also a hub for business by smoothing the entry path for foreign companies. "It's confusing," admits Namiko Watanabe, a consultant with the Tokyo project.

In practical terms, the capital's business zone has scored some business success. It has a team of lawyers,

accountants and bilingual experts who have fielded thousands of queries since it was set up. The office can point to several successful start-ups. But the zone has very little chance of hitting its target of attracting more than 500 foreign firms, including 50 with their Asian regional HQs or R&D centres, before 2016. Another aim, of bringing more foreign doctors to Tokyo, is also floundering.

Watanabe says it is "obvious" that other Asian cities such as Singapore are more attractive than Japan. She cites Japan's high corporate tax of 35.6%, roughly double the rate in Singapore and Hong Kong. Another headache is bureaucracy – paperwork has been simplified by many Asian governments but it can take months to apply to start a business in Japan, she says. "The government [also] expects foreigners to apply with documents in Japanese."

Dempo says the municipal government is working on these problems. And this year Japan announced plans to cut the corporate tax rate in stages below 30%. But many analysts think the recession this year will delay radical changes to the country's corporate tax structure. In any case, tax cuts are rarely the main driver for decisions to invest in



“DOING BUSINESS IS ABOUT **SMART REGULATIONS** THAT ONLY A WELL-FUNCTIONING STATE CAN PROVIDE”

Kaushik Basu


foreign markets, points out Dr Christian Geltinger, chief representative of the State of Bavaria, Japan office. “In my view, the key driver should be market attractiveness, access and entry as a whole.”

Like other foreign critics, Geltinger sees nothing new in the business zones. He says the concept is hard to communicate to European businesses. “Japan as a whole should be a special zone,” he says. European businesses are looking for market opportunities and smooth operations once they set up here. “The other questions — labour costs and taxes — come into account, but later.”

So is the government’s new bid to lower Japan’s business drawbridge already tangled beyond repair? One sign of growing frustration is open criticism from the team of die-hard reformers set up by Abe to make the zones work. Led by Tatsuo Hatta, acting chair of the Cabinet Office’s Council for Regulatory Reform, the team recently said that proposals for

deregulatory measures in Tokyo did not go far enough. Some of the panel members, notably Heizo Takenaka, member of the government’s Industrial Competitiveness Council, are known to favour neo-liberal shock treatment to jolt Japan out of its slow decline.

With or without the zones, Japan could do much more to lure European companies, say analysts. Geltinger wants the government to pass the free trade deal with Europe and lower non-tariff barriers, which are currently under negotiations between the EU and Japan. Extending the practical help of Tokyo’s Special Zone for Asian Headquarters to the rest of the country would help, too. And cut red tape and

translation costs for new businesses, add many analysts. The top performing economies in the 2015 World Bank survey are not those without regulation, said the bank’s chief economist and senior vice-president (development economics) Kaushik Basu after the release of the latest league tables. “Doing Business’ is about smart regulations that only a well-functioning state can provide.” 



Welsh touch

*Mike de Jong talks with **Edwina Hart**,
Minister of Economy, Science and
Transport for the government of Wales*

Text **MIKE DE JONG**

Wales is a small country, but it has a long history of economic and business relations with Japan. During the 1970s, Japanese electronics giants set up shop there, followed in the 1980s by major office equipment and automobile manufacturers.

Today, dozens of Japanese firms

have Welsh branch plants or offices, as the country moves towards a more knowledge-based industrial economy. *EURObiz Japan* talked with Welsh Minister for Economy, Science and Transport Edwina Hart about her country's relationship with Japanese business and investment.

What is the purpose of your visit to Japan?

Well, I visited last year to catch up with Japanese companies, because we have a large number of Japanese companies in Wales. I found the visit useful, and we had a very fruitful dialogue about their business in Wales and possible future business in Wales. I thought it was important to recognise that, when companies have been with you a long time, you shouldn't take them for granted. We should try to come

“WHEN COMPANIES HAVE BEEN WITH YOU A **LONG TIME**, YOU SHOULDN'T TAKE THEM FOR GRANTED”



annually to Japan to catch up with some of the companies to see what their needs and requirements are, and to see if they're content with their relationship with the government.

Is it true that at least 45 Japanese companies have interests in Wales?

Yes, they've always felt at home in Wales. They were very welcome when they first came. Japanese executives enjoyed their time in Wales; in fact, they've got their own little club now. And I think it's important that we were a welcoming nation, and I think by word of mouth, perhaps, that's actually spread to other Japanese companies. I think that's why we've been successful in keeping them there through their difficult times, as well as the UK's difficult economic times. Because there've been major changes in some companies – they've gone from mass production

to small production. And as a government, we've always been prepared to help them through these things.

How important is the relationship between the two countries?

I think it's a very important relationship because of the number of companies. But also it's a relationship we like having. It's a strange thing to say about business, but we've had [such] friendly dialogue with the companies concerned. And I always make the point – I feel they're Welsh companies now, not Japanese companies. And they've got a good understanding, I think, of the nature of Wales – its communities and everything. We've got Hitachi now coming into North Wales with the nuclear programme, and they've been so concerned about community engagement. It's been really good from our point of view.

What are the growing areas of business interest between Wales and Japan?

Well, we've always been big in automotive. We've got a large Toyota plant and their related businesses. We've got Calbee [snack food chain] coming across now, and they're going to open a factory in North Wales. And also we've been having discussions in life sciences as well. A lot of Japanese companies have life science interests, and [it's] one of the sectors we've developed in our [on-going] strategy.

The UK has seen companies move away to eastern Europe and other areas where wages are low. How are




PHOTO MIKE DE JONG

you combating that and attracting new foreign direct investment?

I think also it's the quality of the skilled workforce that you require. And that interests me now, [in] that Sony was a large-scale manufacturer at one time ... now, [it is] a smaller manufacturer. [Yet] they've taken in a whole range of other businesses. So there are ways and means of doing it, but you've got to have the total package. Also, Wales is a good base for the European Union, and lots of companies are based in Wales because they can access that market quite competitively.

Scotland's recent independence vote was interesting. What was the reaction from Wales?


We didn't want Scotland to have independence. We didn't think it was good for us or for the UK. So, naturally, we're pleased with the results. But what we did like about the Scottish independence [campaign] was the whole activity around it – and people actually interested in politics again and discussing issues. And also the one good thing that's happened [is] that there's got to be more discussion on devolution across the whole of the UK now. People don't want independence in Wales, but [rather] they want a better devolution settlement. They want what the Scots have; and if the Scots have more, they'll probably want more, too. But the problem is not the devolved nations; the problem is England ... I think there's going to be quite a difficult discussion within England about what is required. Of course, all of it [depends] upon who gets elected to run the UK, doesn't it? 



Tough to crack

*FDI challenges and
opportunities in Japan*

Text **CHRISTOPHER S THOMAS**



Everybody wants into Japan. This is one of the most desirable markets in the world – large and wealthy, with skilled, educated workers and sophisticated, enthusiastic consumers. Both businesses and individuals are ready and willing to pay for quality. Unfortunately, the market here also has a reputation as a hard nut to crack.

The Japanese government is enthusiastic about attracting foreign investment. Regulators and much of the private sector agree that foreign direct investment (FDI) is a good thing and should be encouraged. Some of the regulatory roadblocks that had hindered foreign companies from coming to Japan to do business have been reduced or removed.

But the level of FDI in this country is still low. Japan's ratio of outstanding FDI to GDP has for years been the lowest among industrialised countries, and is even now well below that of many emerging economies in Asia. It stands at only about 3.8% of nominal GDP, compared to some 30% for the OECD. It totaled ¥17.8 trillion in 2012, and the Japanese government has expressed its intention to boost the figure to ¥35 trillion by 2020.

That's good news for the EU. "Europe is the biggest foreign investor in Japan," notes Bjorn Kongstad, policy director at the EBC in Japan. "But still, the levels are lower than for industrialised nations."

The Japanese government is well

aware of this – and of the benefits of FDI, both for the new money it brings in, and for the edge it gives Japanese firms trying to penetrate markets overseas. That is, if the private sector can point to a more open market at home.

In April, EBC members participated in a series of meetings with Japanese government and political leaders, as well as members of the Cabinet Office's Expert Group Meeting on Foreign Direct Investment in Japan. Many of the recommendations put forward were met with enthusiasm by government officials, and some initiatives have already been put in place.

Yuki Shimazu is assistant director at the Trade and Economic Cooperation Bureau of the Ministry of Economy, Trade and Industry (METI). He says, "The government is very positive about FDI, and is implementing measures to increase the attractiveness of the Japanese market."

Since the April meeting, according to Shimazu, the steps taken have included a ministerial group meeting attended by high-level ministers; a series of "kickstarter" seminars in New York and London, to encourage investors to

come to Japan; a new national strategy for economic growth that explicitly mentions FDI; and an Invest in Japan Attaché programme, which enlists consultants, ad agencies and other entities to contribute their knowhow to boosting the image of Japan as a place in which to set up shop. The government is also establishing six special zones around the country armed with special incentives to attract foreign firms [Ed note: see "Zoning Out", page 8].

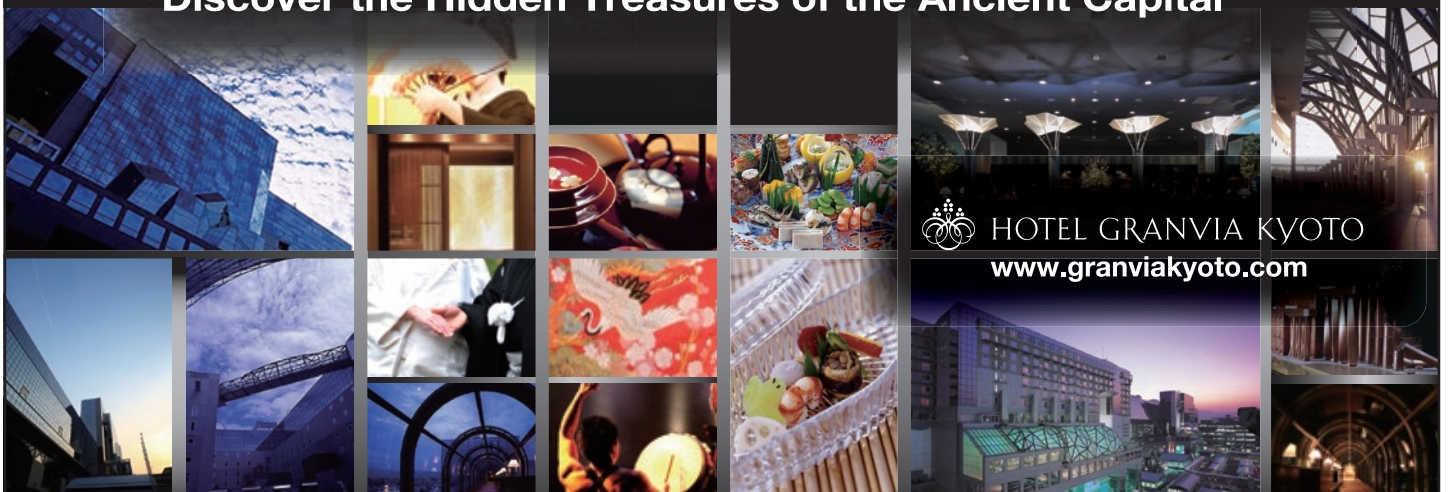
One of the recommendations from the EBC side has been to boost the role of the Japan External Trade Organization (JETRO), which is already helping foreign firms enter the market here by offering assistance in navigating the thickets of rules and regulations. The government also is pushing its Invest in Japan Attaché scheme. "Until now, FDI has been JETRO's job, but the new approach will be to recruit CEOs, PR people and others, and utilise their personal networks" to get the word out about opportunities in Japan, explains Shimazu.

The EBC, however, feels that some additional regulatory reforms would greatly enhance attracting foreign

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“OBVIOUSLY, IF IT BECOMES EASIER TO SELL PRODUCTS, COMPANIES WILL BE MORE WILLING TO COME TO JAPAN”

Bjorn Kongstad



investors. Lower corporate taxes, for example, would be a start.

"This is the biggest hurdle," says Kongstad. "The corporate income tax here is very high – not by world standards, necessarily, but compared to neighbouring countries, which compete for foreign investment with Japan."

Singapore, Taiwan and South Korea all have much lower corporate tax rates: as much as 20 points lower in South Korea's case. In addition, Kongstad says the net operating loss (NOL) carry-forward period in Japan has for a long time been limited to nine years. In other countries, the NOL can be carried forward for as many as 20 years, or even for an unlimited time.

The EBC also believes that simplifying the business environment to make it more flexible and easier to provide services or to import certain physical products are important objectives. "Obviously, if it becomes easier to sell products, companies will be more willing to come to Japan," notes Kongstad.

Nonetheless, it's going to take a lot more than policy tweaks to turn around the FDI environment here, according

to Kongstad. One of the biggest issues, needless to say, is a cultural

difference. Japanese stockholders are a patient lot and, for the most part, content to park their money in one company, keeping it there for the long term. There are few demands placed on management from such stakeholders. This may free up company leaders to make their own long-term strategy, but cause potential foreign investors to balk at the lack of transparency.

In terms of the business culture, Kongstad says, "It's hard for an investor to get insights into a board, and whether it's working in the best interests of the shareholders. You can't know the true health of the company [this way]."

For enterprises looking to set up shop in Japan, there are plenty of thorny issues, including the challenge of hiring the right people – at all levels, from grads to mid-career talent with the connections necessary to get things done. The EBC's senior vice-chairman, Michel Theoval, notes that "many common practices here in Japan would be impossible to justify for a European company – such as *amakudari*", in which top government officials retire to lucrative

positions in the private sector.

The Japanese antipathy towards mergers and acquisitions is another barrier to foreign firms wanting to buy into the market. "In Japan, a company is more than just a commodity", notes Theoval, who is also president of GHT – Group Hi Tech, a division of PMC. "A company here is a family, and its subsidiaries and suppliers are cousins – and you don't sell your cousin."

METI's Shimazu sees two basic barriers: lack of attractiveness of the market, and the hesitancy of local governments and business people to deal with foreign firms. "How to motivate local governments to encourage smaller companies to accept foreign money is an on-going problem," he says.

Though moving ahead, slowly but steadily, FDI in Japan has a bright future.

"When you're in it, Japan is a good, profitable market; there are good margins here," says Kongstad. "And though Japan as an aggregate might not grow much in the [near] future, due to demographic and other reasons, some sectors will continue to grow consistently, such as mobile communications, foodstuffs, medical devices, etc." 



Andrew Symonds

Rotors and Spurs

Text **MIKE DE JONG**
Photo **GENEVIEVE SAWTELLE**

“IT’S GREAT TO RELY ON EACH OTHER, WORK FOR A COMMON GOAL AND SHARE THE SUCCESS”

Loyalty is something prized in industry, sport and the armed forces. And it's certainly something you find in Andrew Symonds. The UK-born president of AgustaWestland Japan joined the firm in his late teens.

"I joined the company I work for today, believe it or not, when I was 17 years old," says Symonds. "Then, I went into the merchant navy as an engineering officer for two or three years and travelled around the world. Then I came out of the merchant navy and settled down, got married, and re-joined this company."

And he's been with the European helicopter manufacturer ever since.

Symonds, a Yorkshire man from northern England, represents his firm on the EBC Defence and Security Committee, as well as the Aeronautics and Space Committee. He comes from a military background, with his father having served in the armed forces. As for sport, Symonds is a passionate football fan; in particular, supporting the north London side Tottenham Hotspur – a club he has stuck with for nearly half a century.

"It was 1967, when the first all-London, FA Cup final took place. The two teams were Chelsea and Tottenham," recalls Symonds, "I remember it vividly; it was a big event because it was the first Cockney final. And Tottenham won it 2-1. From that date onward I became a big Tottenham Hotspur fan."

"I've followed them through thick and thin – and more thin than anything – since that time. I'm a staunch fan, my son's a staunch fan ... and my grandson is also *becoming* a fan. Not that he really has much choice at this point, but he will be eventually. It's in the blood."

So is travel for Symonds, both personally and professionally. His career has taken him to Italy, South Korea and China, while his penchant for scuba



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Time spent working in Japan:
6 years

Career Highlight: My company and KHI being awarded the 2013 British Business Awards for The UK / Japan Partnership category

Favourite saying: Come on you Spurs (COYS)

Favourite book: *Shantaram* by Gregory David Roberts

Cannot live without: Family, friends and J Sports TV channels

Lesson learned in Japan:
Perseverance

Secret of success in business:
"A business that makes nothing but money is a poor business."
Henry Ford

Favourite place to dine out:
La Bisboccia in Hiroo – always lively

Do you like natto? Only if it's dry

diving has seen him visit many of the best dive spots around the world. His American-born wife often joins him on his diving excursions.

"Ever since I was six months old, I've travelled," he laughs. "My life is all about travel."

Along with diving, Symonds enjoys hiking, skiing and running – he even completed a marathon while working in Beijing.

"I did two half-marathons before that in China, and then the full one. So it was a great personal achievement to get through that. To start a marathon in Tiananmen Square was a truly memorable experience."

Arriving in Japan in 2008, Symonds has seen his company reach new heights providing helicopters across all market sectors. In particular, these include what he calls para-public organisations such as firefighting, the coast guard and the police. AgustaWestland's

products range from single-engine helicopters through to the largest, the three-engine machines.

Japan's recent decision to reinterpret its constitution to recognise the right to collective self-defence has Symonds and his team looking forward to the possibilities.

"We're very excited by the fact that this door is now finally open. In fact, we have been collaborating with Japanese industry for many years. In 2003, the Japanese government chose our biggest helicopter – the 15-tonne AW101 – which is built under licence in Japan by Kawasaki Heavy Industries. So we have already established the necessary relationships to benefit from these changes."

Symonds believes the changing defence landscape in Japan will prompt a different emphasis on how his firm does business in this market.

"The excitement now is that, with this door opening, we can jointly sell to other customers around the world – even [if it's] a different configuration, which is unique to Japan," he says.

"The policy of our company is to establish collaborative ventures in most of our major markets ... this change in defence industry posture will give Japan a kick to establish a stronger defence industry. Our strategy is to become an integral part of the growth of this industry."

Strategy is something that a good manager needs, whether in business or on the football pitch. Symonds sees a lot of similarities between his job and the leader of a successful football side, and says many business lessons can be learned from the sport he loves.

"I think there's a camaraderie amongst the 11 guys who are out there trying to achieve the same objective," he says.

"And it's great to rely on each other, work for a common goal and share the success."



Chile reception

Euro wine producers face new competition

Text **ALLISON BETTIN**



It's early in the day and Tokyo Bay's InterContinental Hotel is abuzz with the chatter of Japanese and a sprinkling of Spanish. Wine – lots and lots of wine – is being swirled, sniffed, and slurped. Importers are eating up – or drinking – Japan's latest wine trend. And it's not from the Old World. It's Chilean.

“Japanese people usually like soft and smooth,” says Yoichi Sato, Japan's Top Sommelier of 2005. “Before, Chilean wines were very heavy and rich, and oaky ... But Chilean wines have changed – less alcohol and a smooth mouth. A food-friendly wine,” he adds.

European products have dominated the Japan market since wine drinking became popular here in the mid-1980s. In many cases, European wines were consumed almost exclusively, due to

a lack of knowledge about reds and whites from other regions.

“The information was very limited, so we didn't have many choices,” says Miyo Naganawa, marketing manager of London-based fine wine importer Berry Bros & Rudd.

“White wine was Chablis ... [red wine] was Bordeaux,” she adds

In 2012, French, Italian and Spanish wine imports hit an all-time high in Japan. However, a year later, Euro imports dropped dramatically: From

Italy, 4.3% and France, 5.6%. Spain experienced a similar decline, while Germany was hit the hardest, as imports fell more than 7%.

Interestingly, Chilean wine imports went the opposite way, increasing a staggering 15%. The rise was so dramatic that the South American nation rocketed past Italy into second place among Japan's wine importing nations.

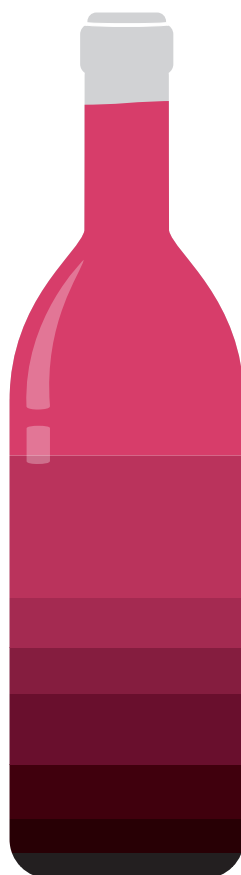
How did this New World up-start come to assume such an exalted position? Some wine importers cite



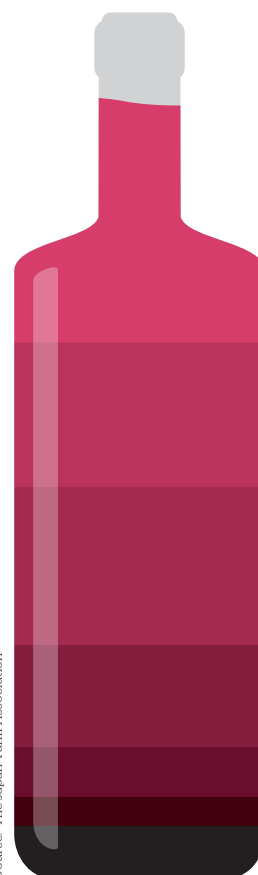
% Market Share 2005

% Market Share 2013

France	45.5
Italy	18.3
Chile	6.4
Spain	6.0
USA	9.1
Australia	7.0
Germany	4.4
Argentina	0.8
South Africa	1.0
New Zealand	0.3
Other	1.2



Source: The Japan Tariff Association



France	31.5
Italy	18.5
Chile	20.2
Spain	13.0
USA	6.4
Australia	3.8
Germany	1.8
Argentina	1.7
South Africa	1.3
New Zealand	0.6
Other	1.2

the depreciation of the yen for the slowdown of Euro products; others say that importers got greedy and overshot demand. But one issue stands above all others: import duties. In 2007, Chile signed a free trade agreement with Japan that lowered wine duties significantly. In fact, duties will hit 0% by 2019.

"We got very good reductions in the custom duties, so our products started to be very competitive compared to [those of] others in Japan," says Herman Beck, director of ProChile, the government body that organised the Tokyo wine trade show.

"So this was one of the very important points in order to help increase the Chilean exportation. Now, we have very good quality and price, so that also helps."

The approachable characteristics of Chilean wines – like the seductive Carménère or the lighter Torrontés – and their lower price (most fall in the ¥500-1,000 range) make them

an attractive take-home product for cost-conscious Japanese consumers. While European products remain more popular in restaurants – where they are generally paired with regional cuisine – Chilean wines have an advantage in a market where two-thirds of vino is consumed at home.

But that advantage might not last long. A free trade agreement currently being negotiated between the EU and Japan could reduce import duties on Old World wines too, making them more price competitive.


"I think free trade would be very positive for two reasons," says Anthony Gourmel, representative director of Asia for Baron Philippe de Rothschild. "First, importers look at brands and the financial business model. So a free trade agreement would reduce import taxes, so they will have more motivation, more margin to grow the business.

"The second reason is psychological.

Japanese people know that, with a free trade agreement, European wine would be a better bet for them to buy."

Price aside, Japanese consumers are showing a growing desire for special, innovative wines, regardless of origin. In classic regions such as Burgundy and Bordeaux, young winemakers who have vineyards on the periphery are making fine wines of much higher value. In Italy, the next generation is focusing on cultivating native Italian grapes rather than global blockbusters, in order to stand out.

"It's not that the popularity of French wine has decreased," says Kenichi Tagami, a Berry Bros & Rudd sales executive, about the Japanese consumer. "Because we are educated a little bit more, we can choose many wines from many countries and many regions.

"We are not satisfied with only the big name brands," he continues. "We are looking for something new." 

A quick study

Unilever Japan's new boss, Fulvio Guarneri

Text **CHRISTOPHER S THOMAS**

Photos **BENJAMIN PARKS**

Unilever Japan's president and CEO Fulvio Guarneri may be new to this country. However, despite only having arrived in July, he's proven to be a quick study. Three months spent studying Japanese consumers from all walks of life have given him a good idea of the local market.

"My job is intrinsically linked to people's lives, much more than [is the case] with most jobs," he says. "We need to observe people – see what they do, how they behave – to gauge what the future trends might be."

Guarneri, who joined Unilever in 1997, has worked in various parts of the world, including Russia and the Balkans, so he has the background to compare the consumer markets of different regions. "Japan is very different from any other country in the world in many respects," he says. "Consumers here are very sophisticated and well-educated. They have a high awareness of product specifications, and they are very knowledgeable – they know what they want, and they know why they're buying it. They praise a lot, but also complain a lot if a product is not up to their standards. Our customer support centre here receives a lot of calls, much more than in any other country, because people here want to interact with the products and with the brands."

That said, Japan is still a challenging market for a foreign firm – even one like Unilever that has been here more than 50 years. "This is a very highly evolved consumer market," says Guarneri. "And it's a very big market – one of the biggest in the world in any fast-moving consumer goods category."

One major challenge is the high quality of the goods that are already here, according to Guarneri. "In the sector we operate in, there is a high level of local competition, maybe the highest in the world. It's often difficult to import because the consumers' expectations are so high.

"If there is even a misplaced label or a scratch on the package, a product is considered off-quality. Or, the orientation of design elements – the wording or illustration: on the left side or the right side. In some markets, it doesn't matter which [one is selected] – or if it's a little off-centre," he continues. "Here, it matters. If it's wrong, it sticks out, looking like a mistake. And people respond by complaining, or by not buying the product."

Guarneri is quick to point out that none of this is by way of complaining; it's just the nature of the Japan market. "There are lots of rules and regulations here, it's true. But these don't change – that's the key. Being regulated doesn't mean it's a hostile relationship. In Japan, if you follow the rules, everything becomes simple – you know what you have to do. For business, in the end, it is

the certainty of the rules that matters."

On Guarneri's watch, the keyword at Unilever will be "sustainability" – in every meaning of the word. "Our ambition is to double our business globally, while reducing our environmental footprint and increasing positive social impact. We aim for constant, profitable and responsible growth," he says. Guarneri wants to position the Japan unit at the forefront in this regard. "As an example, we are working to move our factories to renewable energy. We are also very keen on sustainable agriculture, and on advancing opportunities for women. I think these are very important because, after all, two billion people a day globally buy Unilever products. We have a huge impact on people's lives."

The firm's sustainability vision is integrated into brands and innovations. "Offering 21 fair-trade-certified flavours, Ben & Jerry's ice cream is definitely one of the brands that will be the flagship of our sustainable business in Japan, along with sustainably sourced tea in partnership with the Rainforest Alliance, an organisation that is committed to decent wages for plantation workers."

Guarneri points out that Unilever considers Japan an extremely important, strategic market. "We are planning to double our business globally, while improving social responsibility and decreasing the impact of our operations on the environment; and we want to do this in Japan as well." 



“MY JOB IS
**INTRINSICALLY
LINKED TO**
PEOPLE'S LIVES”



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1 Bedroom Suites (33-52㎡) , 2 Bedroom Suite (71㎡)

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Parking Facilities : 2 Spaces

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Toyota's fuel cell future

New hydrogen powered Mirai hits the street

Text **ALLISON BETTIN**

The automobile world has entered the future. Toyota has unveiled its new Mirai – which means future in Japanese – as the world's first commercially viable hydrogen-powered fuel cell vehicle (FCV). And, despite questions about the technology's feasibility, the auto giant is banking on the car's popularity with eco-friendly drivers.

"The challenges with [electric vehicles (EVs)] are now resolved with FCVs," says Hisashi Nakai, project manager at Toyota Motor. "In fact, in terms of the convenience, this car is very comparable to conventional cars."

Hydrogen is a natural element found in water and fossil fuels, and can be extracted from these materials in various ways. It is then converted by fuel cells into electricity to power the car's electric motor. Offering the typical advantages of eco-cars – zero CO₂ emissions and abundant fuel sources – hydrogen vehicles boast several key advantages. They have much longer cruising ranges, up to 650 kilometres on one fill up, and take only 3-5 minutes to refuel. Standard EVs have shorter ranges and take up to 12 hours for their batteries to be fully recharged.

"FCVs [use] a technology that has further evolved and developed," says Nakai. "Therefore, I expect that the hydrogen production technology as well will improve and evolve."

Japan has only about a dozen operational hydrogen stations, raising questions about where and when FCVs could be refueled. However, the central government appears to have the hydrogen bug. It is offering about ¥2 million in subsidies to help defray some of the cost of the Mirai (estimated purchase price, ¥7.24 million). And, the Ministry of Economy, Trade, and Industry has said it will aim for "full-fledged operation of manufacturing, transportation, and storage of zero-carbon emission hydrogen" by 2040.

Close to 100 new hydrogen stations are scheduled to open next year alone.

Eventually, the Mirai will also share the road with other hydrogen vehicles. Honda is working on its own FCV, which could hit the streets by 2016. Toyota is also investigating other alternative energy sources, including biofuels and natural gas, along with a greater application of electricity (beyond its popular Prius hybrids). The company is currently testing an EV known

as the iRoad in France, and EVs still hold the advantage over hydrogen cars in that they have a practical infrastructure in place.

"This is not a confrontation between EVs and FCVs," says Nakai. "Rather, at the time, for EVs, the technology is there. For a more distant future, FCV technology would be the choice. We believe this is the form of car that will be more widely used and accepted than EVs."


"The question is how can we differentiate, or use different types of energy, according to applications," he adds.

Toyota's hydrogen cars have been a long time coming. The company began developing the technology in 1992, five years before the first Prius hit the market. In 2002, the automaker actually released an FCV in the US and Japan, when the technology was in its infancy. It has since improved dramatically. The storage density of hydrogen has improved 20%, and engineers have found a way to fit the fuel cells under the seats, for vehicle size efficiency. All

“IN TERMS OF THE
CONVENIENCE, **THIS CAR** IS
VERY COMPARABLE TO
CONVENTIONAL CARS”

Hisashi Nakai

this innovation has taken place within Toyota, and the company has plans to work with others, such as BMW, on further FCV development. Other major automakers are also partnering up on the technology, most notably Honda with GM, and Nissan with Ford.

Clearly the potential is there for the Mirai to be the car of the future. But much remains to be resolved before it takes over the roads. For example, at the moment, most hydrogen is extracted from methane, a process that emits CO₂ and CO as bi-products. For hydrogen to be produced cleanly, the focus will have to be on tapping other renewable energy sources, such as solar or hydro-electricity. 



France

La Maison Franco-Japonaise in Tokyo was established in 1924 at the initiative of Eiichi Shibusawa, considered the father of the modernisation of the Japanese economy, and Paul Claudel, famous poet and then-Ambassador of France to Japan. The Franco-Japanese cultural agreement in 1953 is the central instrument of trade between the two countries. As of 2013, Japan's main imports from France include chemicals, machinery, transport equipment and alcoholic beverages, according to Japan's Ministry of Foreign Affairs. Some 143 Franco-Japanese friendship associations were registered as of September 2014 and, among the goals of these groups, are bilateral exchanges.



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Bernard Delmas

French Chamber of Commerce and Industry in Japan

www.ccifj.or.jp

Text **MIKE DE JONG** Photo **TONY MCNICOL**

Founded in 1918, the French Chamber of Commerce and Industry in Japan (la Chambre de Commerce et d'Industrie Française du Japon) was the first foreign chamber in Japan. Today, the CCIFJ is settled in Tokyo and Osaka, and is the largest of the European chambers in terms of members and budget. EURObiZ Japan got the latest on CCIFJ activities from president, Bernard Delmas.

How many firms are represented by the CCIFJ, and which are the leaders?

The CCIFJ represents around 500 companies from large groups to small and medium-sized enterprises and entrepreneurs. All of the top 40 French companies are well established and have been for decades in the consumer, luxury brand, industrial and service sectors. More and more new companies and brands are entering the Japanese market through partnerships, tie-ups or direct investment.

Can you tell us two or three success stories – French companies that have benefited from your chamber's activities in Japan?

Two examples come to mind: Melfort and Vie de Châteaux. The company produces and exports special cooking vinegars. They first came to Japan, as part of a prospecting mission from the Alsace region, through our local partner CCI Alsace. Thanks to the CCIFJ, Melfort identified adequate importers that were interested in their products and the first contacts ended up in a massive order.

Vie de Châteaux is another interesting success story. The company offers export assistance to French agrifood producers. The CCIFJ helped the company enter the complex Japan market in 2013.

Most people know about French wine, food and fashion. But in what other areas are your companies making a mark in Japan and worldwide?

Indeed, we are very proud of the French food and luxury brands that are well represented in Japan. Nevertheless, we have other talents to showcase through the CCIFJ. French expertise in the service sector is well known. For example, Edenred and the Tickets Restaurant meal voucher service are rapidly spreading here. You can now buy *bento* at the *combini* with these vouchers.

French regions have a bounty of local and genuine products not yet present in Japan. This is why we will present a French Week in May of next year, with the Isetan Group, to introduce 60 new regional brands directly to Japanese customers. France is also at the cutting-edge in many technology-related sectors: energy, automotive, construction materials, environment and healthcare. The list is very long.

Are there any special, new French products that are becoming popular in Japan?

Absolutely. An example would be My Little Box Paris, which is a new chamber member. This firm's new concept is getting pretty big in France. Every month, you receive a surprise box, full of the newest and trendiest products and ideas. The concept was transferred to Japan last year, and is already a hit. France is also well known for its cosmetics, which rank among the best in the world. There is a little secret to this success: the Cosmetic Valley. In the region of Eure-et-Loir, close to Chartres, the industries of the sector funded a competitiveness cluster to foster networking, research




and development, and exports for members. The concept became so successful that people of Saga prefecture, Kyushu, asked the former president of the Cosmetic Valley to help create the same structure in Japan.

What areas are important for French companies concerning the on-going free trade negotiations between the EU and Japan?

This agreement is an important opportunity for both Japan and the EU, but also a great challenge. On the one hand, Japan is the EU's second-biggest trading partner in Asia, after China. On the other, Japan is also a major investor in the EU. So there is a lot at stake for both partners in this agreement. Nevertheless, a number of member states had expressed concerns about Japan's willingness to bring down barriers to European exports in certain sectors. The car industry is one of them. European carmakers are, of course, very interested in these negotiations. Any alleviation of trade barriers would mean a lot for this industry currently experiencing difficulties. The French government has insisted on the "recognition of the automotive sector as sensitive".

Where do you see Franco-Japanese relations going in the next 10 years?

Personally, I strongly hope they get closer and deeper. Japan and France have a lot to share. They are powerful countries facing new challenges: economic crises, energy crunches and demographic drawbacks. They will both have to find innovative and innovating solutions. 



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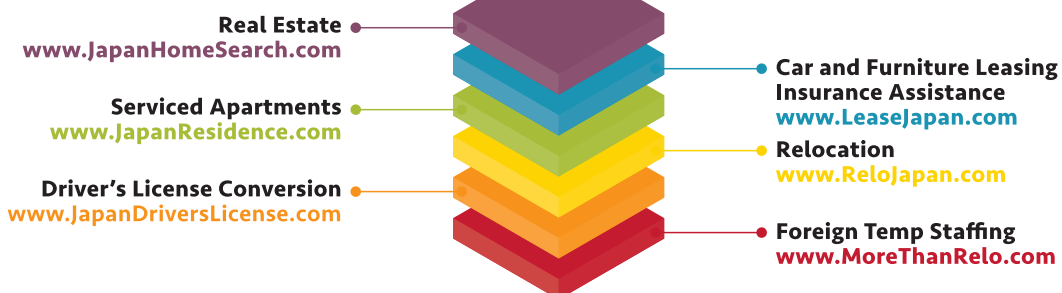


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Japan's lessons for investors

Political risks ahead in the UK



Investors in the Japanese stock market will be familiar with the correlation between the value of their investments and government economic policy pronouncements. Successive announcements of supply-side economic reforms have driven rallies in Japanese stocks. As these announcements meet resistance from special-interest groups represented by political factions in the Diet, the stock market rally goes into reverse.

This political aspect to stock market behaviour has historically been less pronounced in the UK, but it may change over the coming years if the current wave of Euro-scepticism in British politics gathers momentum. To satisfy a small, but vocal, political group, a damaging supply-side shock may be imposed on the economy.

The UK could leave the EU by way of a referendum in 2017 if Euro-scepticism gathers momentum. If that were to happen, Britain would almost certainly respond to the public call for limits on immigration by imposing strict curbs on immigration from the EU. This move, however, would deprive British companies of a valuable source of skilled labour. Furthermore, the inherently pro-European Scots might well demand another independence referendum spurred on by rising English nationalism – adding to the uncertainty.

These risks cannot be ignored by investors.

Migration to the UK, from the EU and elsewhere, has been socially disruptive, at times, over the last 20 years. But it has also been a major contributor to

overall economic growth, by boosting both demand in the economy and the overall skills level of the workforce. This is needed in a country with deep structural labour market problems which, in turn, limit the potential increase in labour productivity that the economy would require to grow.

Britain, and in particular London's financial sector, would struggle to

“A COUNTRY'S STOCK MARKET CAN **RALLY SHARPLY** WHEN GOVERNMENT POLICY FAVOURS BREAKING DOWN BARRIERS”


replace, amongst others, the highly numerate graduates that come from France and the multilingual Danish workers – who were among the 125,000 EU migrants who came to Britain in 2013 to work. Therefore, limiting immigration from other EU countries would slow the UK's economic growth and investment returns. Skilled industries would struggle to replace staff and grow, while large companies that are dependent on immigrant labour may decide to move their operations to another EU country.

Slower economic growth and a smaller tax base will make Chancellor George Osborn's budget deficit goals still harder to reach. Any bid to leave the EU, therefore, carries enormous risk for investors in UK assets.

Let's remind ourselves of an opposite example of political risk, from Japan in the mid-2000s. In April 2005, then-Prime Minister Junichiro Koizumi (2001–2006) announced a package of reforms that included the breakup of the mighty post office (also the world's largest retail deposit bank) and the opening up of a wide range of industries in order to boost the economy's competitiveness.

The Nikkei 225 index climbed 55% in the 11 months between April 2005 and March 2006. Unfortunately, Koizumi stepped down in 2006 after his term finished, and the push for reform expired with his departure. Yet, no one can forget the lesson learned: stock market investors are inherently in favour of any move to create a more liberal trading environment and are distrustful of blockages to competition (such as labour restrictions).

To summarise, political risk is coming to the UK economy and stock market.

We can see from Japan in the mid-2000s that a country's stock market can rally sharply when government policy favours breaking down barriers. The reverse can also be true. 

TOM ELLIOTT
is an international investment strategist with the deVere Group in London.





PHOTOS © DUTCH EMBASSY, TOKYO – AKI TAKEMATSU, NAOTOMO UMEWAKA

Royal Visit

King Willem-Alexander and Queen Máxima of the Netherlands visit Japan, 28-31 October 2014

The Dutch royal couple, King Willem-Alexander and Queen Máxima, enjoyed a state visit to Japan in late October. They met with the Emperor Akihito and Empress Michiko, who hosted a state banquet in their honour. The Dutch royals also attended several trade events during their stay. Willem-Alexander was inaugurated in April of last year upon the abdication of his mother, Queen Beatrix. This was his first state visit abroad. [e](#)

NCCJ Deshima Business Awards

Hotel Okura Tokyo, October 29, 2014

Text and photo **MIKE DE JONG**

The annual Deshima Business Awards of the Netherland Chamber of Commerce in Japan (NCCJ) got an official boost this year. The 2014 awards were held in conjunction with a trade dinner of the Netherlands Ministry of Economic Affairs with various members of the Dutch government in attendance.

"We had 11 finalists and they were selected out of more applicants in an earlier round," says NCCJ Chairman Hans van der Tang about this year's Deshima entries. "It touches many industries here and we are very happy with that."

The Deshima awards recognize Dutch companies that show impressive achievements in developing their business in Japan, and this year's winners spanned a wide range of firms. AEGON Sony Life Insurance, established in 2009 to serve the Japanese retirement market, took home the Deshima in the large company category. Mobility firm Bugaboo Japan won the large Encouragement Prize. Training content provider ITpreneurs Japan Asia Pacific took home the Deshima in the small and medium-sized enterprise category.

"The Deshima Award is a great encouragement for our team," says Katsushi Yaginuma, ITpreneurs' managing director, Japan/Asia Pacific. "We consider it as a memorable stepping-stone to our future growth in order to contribute more to both Dutch and Japanese society."

BBE Biogas, a company that converts waste into energy, took home the Encouragement Award in the same category, despite being in Japan for only two years.

"I'm very excited about this," says CEO

Henk Nijman. "It's recognition that we do good work for the Japanese sustainable energy business.

"I think Japan has a good opportunity to turn waste into energy," he adds. "Because of the structure of the country, they can make decent fuel in every town. They can construct small energy plants. Therefore, you get a stable [energy] network. I think it can really be an opportunity."

EBC Chairman Danny Risberg headed the jury that selected the winners.

"It's important to have a cross-sector [of companies] who have success in Japan," says Risberg, CEO of Philips Electronics Japan. "It's important for us to prove that it can be done and it's important to recognise it."

Simon Smits, vice minister for Foreign Economic Relations in the Ministry of Foreign Affairs and a member of the Dutch trade delegation, says his country shares many challenges with Japan in the areas of the environment, renewable energy, an ageing population and food production. But these challenges also provide shared opportunities.

"It's working together, it's partnerships and it's innovation," says Smits. "They will provide the answers. And the partnerships we see here tonight – with all the businesses present – with Japan and the Netherlands, I think we can be confident about the future.

"That's exactly why we are here today and this week," he adds. "There are ample opportunities and also ample challenges in both the Japanese society and the Dutch society. For example,



**“I'M VERY
EXCITED
ABOUT THIS”**

Henk Nijman

if you talk about the environment, renewable energy, an ageing population that we want to keep healthy [and] independent ... producing enough food for our population. There's an enormous array of issues that we share."

Along with being part of the visit by the trade delegation, this year's Deshima Awards also coincided with a state visit to Japan by Dutch King Willem-Alexander and Queen Máxima. Smits says royal visits help Dutch businesses worldwide.

Airlines//

Up in the air

Text **GEOFF BOTTING**

For Airlines Committee Chairman Otto Benz, the 2020 Olympic Games is a worthwhile event. Not just for the spectacle of seeing the world's top athletes compete in Tokyo, but as an impetus for reform in Japan's international air travel industry.

"Japan is going to be in the spotlight much more than before for its incoming air traffic, and the aviation industry will have to play a role," says Benz, general manager (Japan) for Lufthansa German Airlines. Authorities have been throwing themselves into planning for the Games, and one goal has been to raise international travel volume. The planned expansion is also for the years leading up to the Games and well after they finish.

That's a development fully welcomed by the EBC committee.

As for achieving it, the committee recommends lowering or revamping the various fees airlines must pay for using airports. "All efforts must be undertaken

Airlines Committee Key advocacy points

→ **Costs** – Profitability and streamlining should be promoted in airport operations as a way of lowering fees charged to airlines.

→ **Airport infrastructure** – Haneda airport should be fully opened up to all international traffic, while night curfew hours should be reduced, given the lower noise levels of modern aircraft.

→ **JAL** – The authorities should ensure that their efforts to restructure Japan Airlines do not distort the industry playing field or healthy competition.

to reduce these costs to make it more attractive for carriers to open new routes to and from Japan," says Benz.

Landing fees are the most obvious charge; they have long been

"prohibitive", according to the committee in last year's white paper. After drawing flak from airlines, Narita International Airport cut its landing fees by an average of 5.5% in April 2013.

However, the committee says the move "did not produce the expected substantial cost reduction for users." The reason: the cut was offset by rises in fees for rental and baggage handling at the facility.

"You have these so-called 'user charges', where you have to pay for your customers, such as having your baggage moved, using the terminal facilities, and so forth. There are also the security fees," says Benz. These are all costs that have to be borne by the airlines and will be passed on to the customer. The end result is higher ticket prices for passengers.

Benz points out that the committee, in its advocacy efforts with the Ministry of Transport, has been recommending policies that stress efficiency as a way of lightening the cost burden shouldered by the airlines.



“THE QUESTION IS WHETHER THE AIRPORTS CAN **HANDLE OPERATIONS** IN THE MOST EFFICIENT WAY”

Otto Benz

“Naturally, there are costs at any airport. The question is whether the airports can handle operations in the most efficient way,” he says. “The more flights an airport handles an hour, the more the general costs can be distributed.”

Another aspect of this issue centres around the airport development special account, also called a “pool system”. Revenue is collected from all airports in Japan and then redistributed back to them to cover such costs as maintenance.

The committee wants the fund abolished, calling it counter productive. The system forces profitable airports to subsidise unprofitable ones and, as such, provides little incentive for efficient airport operations, says the committee.

“Whenever a new airport was opened in Japan, it had to be supported by the landing fees from the big airports. So if you have airports that are not economically viable, such as ones in the regions, and need to be subsidised, then the money must come from this fund,” adds Benz.

The background to the problem is a building spree from the bubble era (mid-1980s to early 1990s) at small and rural airports, which today are running consistently in the red. Due to the blanket funding arrangement, these facilities receive scant motivation to become profitable.

The committee’s call for a shift toward policies that promote efficiency seems to have been answered. In 2011, the central government announced a bold plan to privatise all of the nation’s 98 airports by 2020. One of the first steps has been a merger between Osaka’s Kansai International Airport and Itami, both of which serve the city and its surrounding area.


In Tokyo, Haneda International Airport has been in the spotlight since 2010, when the government announced plans to expand the number of international flights it handles. Since then, the airport has handed out more and more international slots to airlines keen to take advantage of its central location in Tokyo.

Flights to and from Europe had been

limited to between 11 p.m. and 6 a.m.

From this year, daytime slots have also been made available for intercontinental routes. The Airlines Committee, however, believes the allocation should be non-discriminatory – that is, open to flights no matter what the destination. Benz has heard that Japanese authorities are also reconsidering the traffic patterns over central Tokyo, with the aim of allowing more flights.

“Certainly for the Olympics, the government would like to see more international flights to and from Haneda,” he says. The committee chairman foresees a “second wave” of new slots around 2018 that may go to European carriers who had missed out in the first round of allocations.

“Inbound and outbound tourism will get a boost from the Olympics, so there will be new opportunities,” says Benz. “On the other hand, our job is to be in a constant and constructive dialogue with the authorities to understand what they’re planning – and also to raise our concerns.” 



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Haneda International Airport to be managed by a non-Japanese carrier. The nearly 1,000m² lounge offers 189 seats in a setting reminiscent of a living room, with its naturally illuminated design expressing the grace and elegance of Asia. The signature “The Noodle Bar” offers a selection of Asian noodles, including “Dan Dan Noodles” and “Wonton noodles in soup”; and the renowned Hotel Okura Group operates the entire F&B facilities. New services to be launched from Hong Kong include four daily flights to Manchester from 8 December; daily non-stop service to Zurich from 29 March; and four-time weekly non-stop flights to Boston from 2 May.

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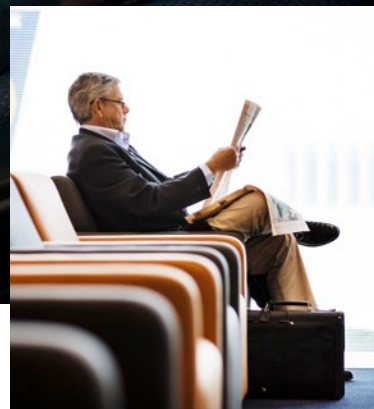
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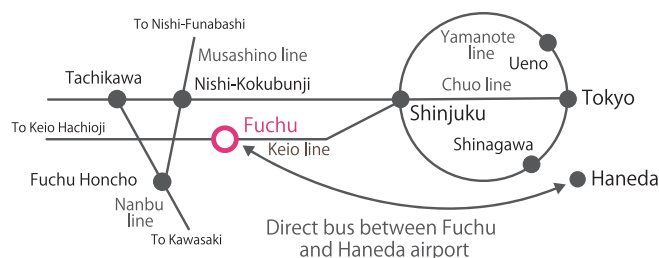


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British baker cooks up tasty cakes

Text and photo **TIM MAUGHAN**

Peter Broadhurst cuts a distinctive figure as he glides about the kitchen of his Osaka-based patisserie. The giant Englishman towers over his modestly sized Japanese staff. A trained pastry chef from Leicestershire, in the Midlands, Broadhurst came to Japan 17 years ago. He worked as a sous chef and catering consultant before establishing Broadhurst's, a business he runs today with his wife Atsuko.

On this visit, customers are sitting comfortably, sipping drinks and eating his tasty wares. The Osaka property serves as a food-making facility, as well as a retail outlet and café.

Significantly, Broadhurst and his staff make all the delectable delights on display — under the counter and on the shelves. They buy the ingredients and the raw materials, and transform them into a finished product. A Japanese keen eye for detail and British design are strong selling points, and reflected in what is shown in the shop. There is a striking red toy soldier, a London Guardsman, a dessert named after the rock group Oasis, and packaged products sporting the red, white and blue roundel of Mod culture and the Royal Air Force.

Broadhurst says business is not restricted to making cakes and pastry. He is also a chocolatier. "It's a dry-store now, but I actually used it as a chocolate room," he says of a small area at the rear of the shop. "We started a chocolate shop six years ago, but we got so busy that this room became too small.

So we now have a chocolate kitchen, 400 metres from here. If I am not making cakes, I am making chocolate."

A new shop "skyrockets in Japan" at the beginning, he says, a phenomenon intensified when — in his case — customers acquire a taste for a particular selection of cakes and other confectionery items. Broadhurst does not pander to Japanese tastes. "All the pastry chefs in Japan copy the French, but we do real British food, exactly in the same way we would do in Leicestershire," he says.

On the shop's opening, the company benefited from widespread media coverage in print as well as on Japanese television. That resulted in an "explosion" of business at the start. "Because I was British and I was doing different cakes," he says.

Today, business is steady — though demand does go through the roof at specific times of the year. In December, for example, he can expect to sell between 300 and 400 Christmas cakes. Broadhurst's also makes handmade Christmas pudding during the festive season. In January, one might expect a bit of a slowdown. But there is no lull. New Year means Valentine's Day is just around the corner.

"It's very busy," says Broadhurst.

The goods in the shop are split into different lines. There is the "Morning Goods Section", where the product has been baked and does not require refrigeration. The "Queen of Hearts" jam tart forms part of this collection, along with a Bramley apple pie.

Displayed elsewhere are biscuits and shortbreads, also all baked in-house.




Broadhurst says these sweet treats have a shelf life of about five weeks.

Nearby are fresh cream products. These cannot be categorised with recognised names. Instead, Broadhurst uses his imagination, designing cakes from scratch. There are 16 varieties of cream cake here. Those not sold in the shop are given away to friends.

Broadhurst also runs a chocolate shop in Osaka's Yodoyabashi area. His chocolate kitchen, located to the east of the patisserie, contains all the equipment to make his own confectionery. "This is the storage and the setting area," he says. "We make what is called a ganache, which is basically chocolate with cream."

The ganache is placed in a large metal frame, where it takes 12 hours to set. A separate layer of chocolate is then applied to it; a piece of apparatus resembling a giant egg-slicer is used to divide the product into more manageable chunks. Then, it is left 12 more hours to fully set.

The heat and humidity can be challenging, he says. "The summer-time here is quite hard for a chocolate shop, because it is so hot. In the three summer months, it is relatively difficult to sell such a fragile product in such a hot country."

Along with continuing to make high-quality chocolates, cakes, pastries and pies, Broadhurst has another project in mind: cake-making classes in Japanese. The education arm of the Broadhurst operation could be up and running by next year. 

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National Brand: Japan

The challenges of the 3Gs

In July 2013, half a year after Prime

Minister Shinzo Abe returned triumphantly to office, I began to research Japan's national brand image. I chose the post-3/11 era as a starting point because it encompassed a nature/nurture combination of unavoidable disasters (earthquake/tsunami) with avoidable human error (the Tokyo Electric Power Company's handling of the Fukushima Daiichi Nuclear Power Plant meltdown). The latter also reignited domestic public citizen opposition to nuclear energy and suspicion of government-industry collusion.

Once Abe was re-elected in December 2012 – and Tokyo 2020 became a reality in September 2013 – the lid was off: Japan was globally relevant again. But becoming relevant in the eyes of the world cuts both ways. Abe's economic policies, dubbed "Abenomics", led to unprecedented scrutiny and media criticism; and, later, his administration suffered some major setbacks.

There were ministerial resignations, an unpopular sales tax increase, lower consumer confidence, and cabinet-level fiats on secrecy and the military. Global campaigns against this country's whaling and dolphin hunting policies also led to new hope that Japan's post-3/11 relevance in the world would lead to the alignment of national policies with global standards.

But that didn't happen.

Japan has a number of persistent lost decade challenges. I call them the 3Gs: gender, generation and globalisation – challenges that will not be solved overnight. The World Economic Forum's 2014 Global Gender Gap Report

found Japan moving up one place to 104th out of 142 countries (for 2013), just above Armenia. This report came just prior to the World Assembly for Women (WAW!) gathering in Tokyo in September, the same month that Abe appointed five female ministers in a cabinet reshuffle. In October, two of the women resigned over election campaign violations. Nevertheless, positive or negative results, Japan is at least moving in the right direction in addressing the gender gap more openly.

That said, the nation displays some unique outliers in generational gaps that make its practices stick out

“JAPAN HAS A NUMBER OF PERSISTENT LOST DECADE CHALLENGES”

amongst those of its Asia-Pacific neighbours. The generation gap here is a shared topic of concern, but I don't just mean the young Harajuku or Otaku-loving teenagers versus their conservative elders. A 2004 report by the Pew Research Center's Global Attitudes Project singled out the generation gap in Japan, where 84% of older people thought that their culture was superior, compared with only 56% of those under age 30 holding the same view.


The same report found that there was widespread agreement across all age groups in Asia about the importance of learning English, a sentiment shared in other regions like Latin America and Western Europe. The lone exception was Japan, where 75% of those aged 65 and older "completely agreed" that it was

important for children to learn English, compared with only 45% aged 18-29.

Granted, this study is dated, but how might these numbers play out in post-3/11, pre-2020 Japan?

My own conclusion, based on personal interaction with hundreds of university students and older people across Japan, is that the generational gap is widening, not only in global English-learning aptitude, but also in politics and culture. The Japan exception to the global rule persists.

Finally, globalisation, or the lack thereof, is an on-going challenge to Japan. It is a country whose traditional cultural values have led to incredible success in creating a relatively safe and secure society. Japan's proportional population in jail, for example, is one 10th that of the US. Japan's liberal democratic political structure, warts and all, is quite stable – though in need of more diversity and inclusiveness in ideology and political party representation.

The country can be proud of a great deal – Japan's science and innovation prowess, its rich food and service culture. On the negative side, Japan is not entrepreneurial and risk-taking at the individual level – and government red tape can be a nightmare. The country lags behind its regional neighbours in understanding, explaining and promoting its values and strengths to the global society. This is where international third-party advisors with greater credibility than government spokespeople can be of enormous value in helping the country with its global communications emanating from Japan. 

DR NANCY SNOW

is an Abe Fellow and visiting professor at Keio University's Institute for Media and Communication Research.





The advertisement features a scenic view of a golf course with a clubhouse in the background and a sheep wearing a blue and white checkered blanket in the foreground. A bottle of Mouton Cadet 2012 Bordeaux wine and a glass of red wine are positioned in the lower right. The text 'MOUTON CADET' is at the top, followed by 'The 2014 Ryder Cup Wine'. A blue box at the bottom left states 'OFFICIAL SUPPLIER 2014 RYDER CUP'. The tagline 'We share the same etiquette.' is at the bottom right.

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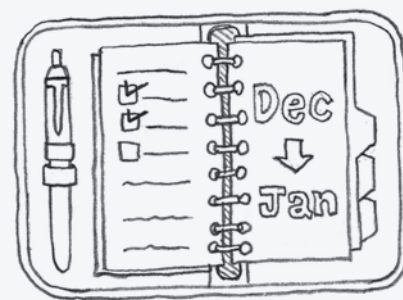
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For more information please contact the EBC Secretariat.
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Upcoming events



► **Belgian-Luxembourg Chamber of Commerce in Japan**
www.blccj.or.jp

Monthly Beer Gathering

19 January, 16 February, Monday, 19:00-23:00

Venue: Belgian beer café in Tokyo

Fee: Pay for what you drink

Contact: info@blccj.or.jp

► **French Chamber of Commerce and Industry in Japan**
www.ccifj.or.jp

Shinnenkai and French Business Awards ceremony

29 January 2015, Thursday, from 19:00

Venue: Hotel Grand Hyatt Tokyo

Fee: ¥8,000

Contact: a.calvet@ccifj.or.jp

► **Ireland Japan Chamber of Commerce**
www.ijcc.jp

IJCC Family Christmas Party

7 December, Sunday, 12:30-14:30

Venue: Roppongi Hills Club, French Cellar

Fee: ¥5,000 (member), ¥5,500 (non-member), ¥2,000 (children over age 3)

Contact: secretariat@ijcc.jp

IJCC Joint Networking Event with ACCJ*

29 January (tentative), Thursday

Venue: Irish ambassador's residence

Contact: secretariat@ijcc.jp

* American Chamber of Commerce in Japan

► **Italian Chamber of Commerce in Japan**
www.iccj.or.jp

ICCJ Gala Dinner & Concert 2014

5 December, Friday, from 19:00

Venue: The Westin Tokyo, Ebisu

Fee: ¥25,000 (members), ¥28,000 (non-members)

Contact: promo@iccj.or.jp

ICCJ Winter Dinner in Osaka

12 December, Friday, from 19:00

Venue: 8G Bridal, Osaka

Fee: ¥10,000

Contact: promo@iccj.or.jp

► **Multi-chamber Events**

Delegation of the EU to Japan's Seminar & Year-End Cocktail Party

9 December, Tuesday, 16:30-19:30

Theme: "Taking Action: Update on the EU-Japan FTA Negotiations & Launch of the EBC Annual Trade Policy Report"

Venue: The Delegation of the EU to Japan, Europa House, 1F, Minami-Azabu

Fee: No charge*

Contact: ebc@gol.com

* One copy of the English EBC 2014 White Paper report and a networking cocktail

Joint Chamber Bonenkai 2014

11 December, Thursday, 18:30-20:30

Venue: Embassy of Canada to Japan, Akasaka

Fee: ¥8,000 (members), ¥9,000 (non-members)*

Contact: www.cccj.or.jp

* Includes buffet and Nomihodai

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Joint Scandinavian Christmas Ball*

12 December, Friday, 18:30-24:00

Venue: The Westin Tokyo, Ebisu

Fee: ¥19,000

Contact: respective chambers

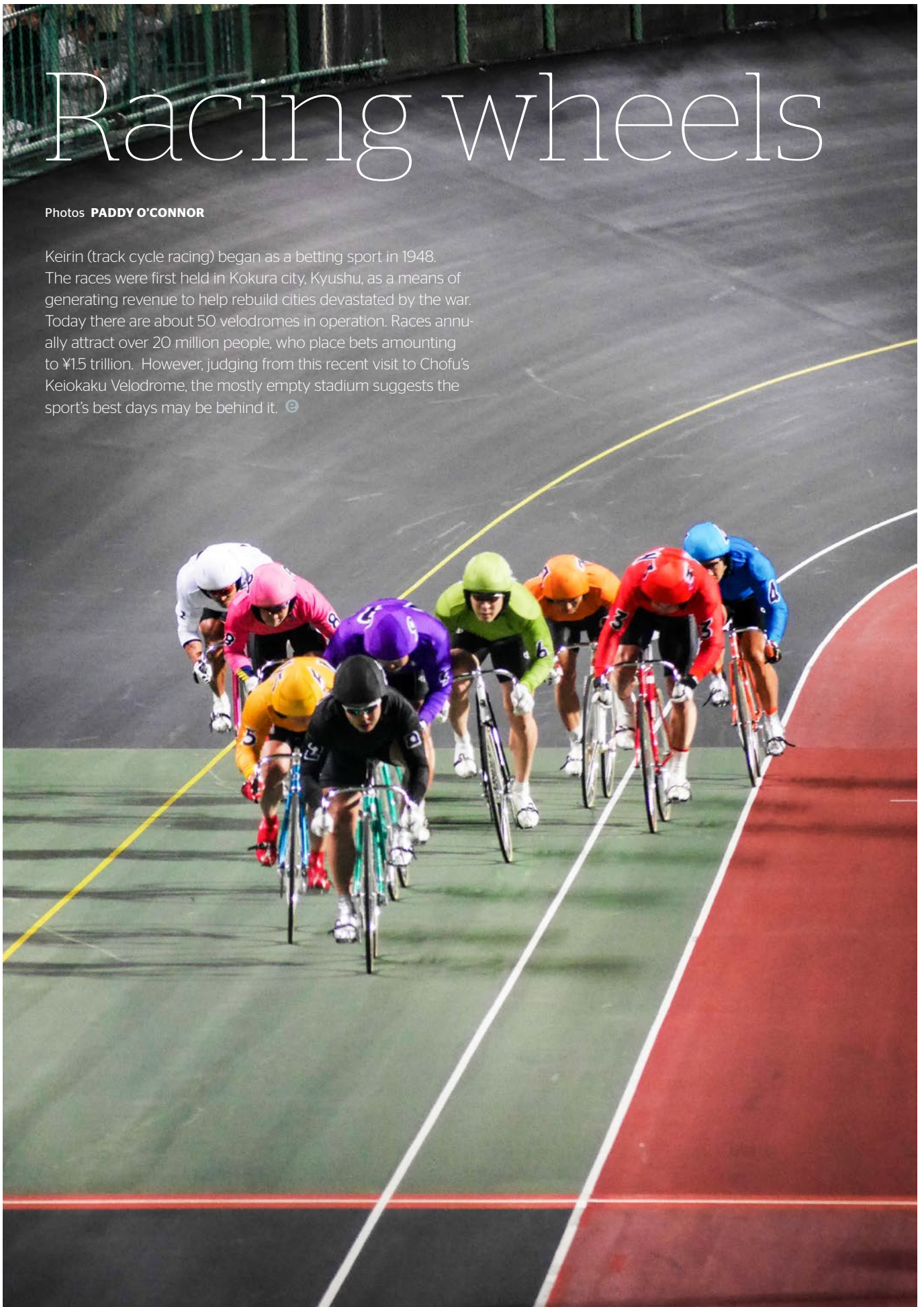
* The Danish Chamber of Commerce in Japan, Finnish Chamber of Commerce in Japan, Icelandic Chamber of Commerce in Japan, Norwegian Chamber of Commerce in Japan and Swedish Chamber of Commerce in Japan.

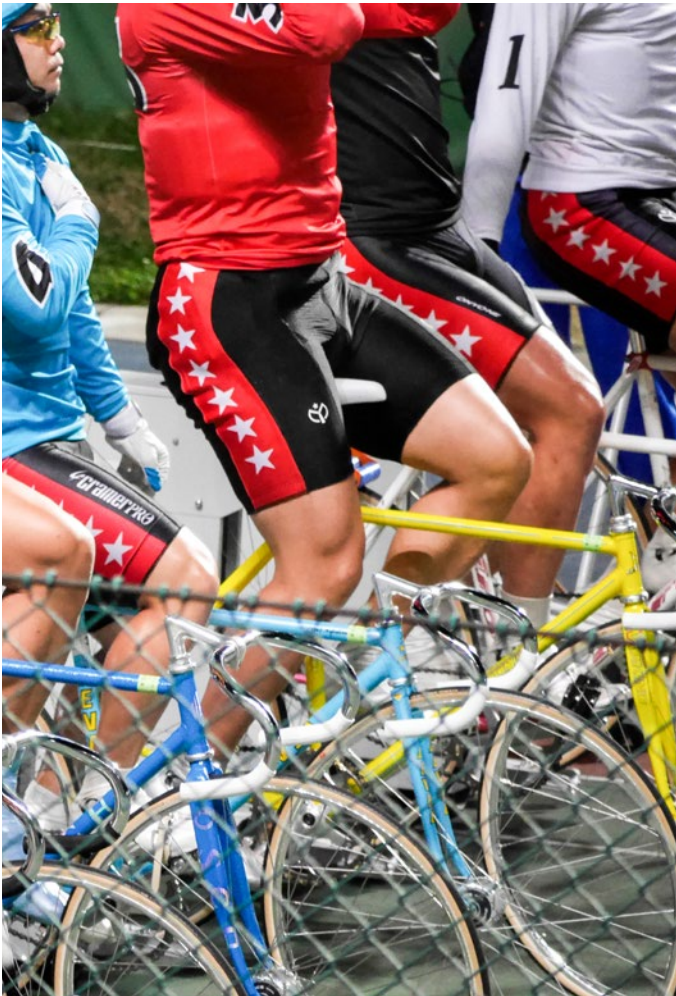
Compiled by **DAVID UMEDA**

Racing wheels

Photos **PADDY O'CONNOR**

Keirin (track cycle racing) began as a betting sport in 1948. The races were first held in Kokura city, Kyushu, as a means of generating revenue to help rebuild cities devastated by the war. Today there are about 50 velodromes in operation. Races annually attract over 20 million people, who place bets amounting to ¥1.5 trillion. However, judging from this recent visit to Chofu's Keiokaku Velodrome, the mostly empty stadium suggests the sport's best days may be behind it. [e](#)





Thomas Angerer

Executive Chef, Park Hyatt Tokyo


Standing at the forefront of Japan's hospitality industry for 20 years, Park Hyatt Tokyo has earned a culinary reputation that is an integral part of its ongoing success. Austrian-born Executive Chef Thomas Angerer oversees the gastronomic direction at each of the hotel's restaurants – from the New York Grill to Kozue. He also leads an accomplished events team, who cater to guests' party needs, even at venues outside the hotel.

"We take a tailor-made approach to all our menus, because we know each guest is unique," says Angerer. "Inspirational cuisine using carefully sourced, seasonal ingredients is a given. We strive to deliver personalised service and an attention to detail that ensures a truly memorable dining experience."

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Photo **GENEVIEVE SAWTELLE**





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Sumitomo Realty & Development operates and manages more than 200 office buildings in central Tokyo.

Tokyo Nihombashi Tower

In April 2015, the 35-storey Tokyo Nihombashi Tower* will be the new landmark connected directly to Nihombashi Station — in Japan's largest trading & business district and the capital city's historic cultural centre**, with direct access to Haneda and Narita international airports.

* More details at

<http://office.sumitomo-rd.co.jp/nihombashi/index.html>

** Video at <http://goo.gl/TSLwwN>



Roppongi 3-Chome Project

In April 2016, the 40-storey Roppongi 3-Chome Project will mark the rebirth of a new town, with direct connections to Roppongi-Itchome Station — in the heart of Tokyo's dynamic district of business, residence and commerce.



At both locations:

Direct access

From station, smooth connections not affected by weather

Safe & secure

Quake-absorbing and anti-sway structure, uninterrupted power sources

Facilities

Conferences and events, retail shops and restaurants



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